

AR24



Mission



To manage a group of profitable businesses offering a select number of products/services of sufficient quality to allow us to assume and retain profitable niches in these markets, with evolving and appropriate response to changes in market demands.



To produce a consistent above average growth in earnings through the development and retention of outstanding management people and optimum utilization of assets.



To provide for employees' job satisfaction through challenging work environment and fair treatment thereby fostering the full development of their capabilities.



To remain conscious of our social responsibilities and consider the public interest in all our decisions.



TIW INDUSTRIES LTD. and Subsidiaries

Head office

150 Albert Street, 18th floor, Ottawa, Ontario K1P 5G2

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Transfer agents and registrars

Montreal Trust Company, Montréal, Toronto, Ottawa and Calgary

Share listing

Common and Preferred, Montréal Stock Exchange

Auditors

Campbell Sharp, Chartered Accountants, Ottawa

Solicitors

Perley-Robertson, Panet, Hill & McDougall, Ottawa

Board of directors

E. A. Galvin, *President, Poco Oil Ltd.*
 J.-Claude Hébert, D.F.C., *Consultant*
 R. A. Irwin, *Director, Consolidated-Bathurst Inc.*
 R. deWolfe MacKay, Q.C., *Advocate, Barrister, Solicitor*
 John R. McLernon,
President, Macaulay, Nicolls, Maitland & Co. Ltd.
 Jean-Pierre Maurer, *Executive Vice-President*
Metropolitan Life Insurance Company
 Yves J. Ménard,
President and Chief Executive Officer of the Corporation
 Jean Simard, *Vice-President, Simcor Inc.*
 F. H. Sobey, *Chairman, Sobeys Stores Ltd.*
 P. N. Thomson, *Chairman of the Corporation*

Annual meeting of shareholders

The annual meeting of the shareholders will be held on Friday, April 27, 1979 at 3 p.m. in the Auditorium, Floor M-2, The Royal Bank of Canada Building, Place Ville Marie, Montréal, Canada

Officers

P. N. Thomson, *Chairman*
 J.-Claude Hébert, D.F.C., *Deputy-Chairman*
 Yves J. Ménard, *President and Chief Executive Officer*
 C. G. Penney, C.A., *Vice-President, Finance*
 F. H. Bossons, *Secretary*
 L. P. Constantin, C.A., *Comptroller*
 G. M. Cullen, Adv., *General Counsel*
and Assistant to the President
 Claude Hélie, C.A., *Treasurer*

Financial highlights

	1978	1977
INCOME (in thousands)		
Total revenues _____	\$107,001	\$ 92,113
Earnings before extraordinary items _____	1,625	1,246
Extraordinary items _____	1,146	(700)
Earnings for the year _____	2,771	546
PER COMMON SHARE		
Earnings before extraordinary items _____	\$0.73	\$0.51
Total earnings _____	1.27	0.19
Dividends paid on common shares _____	0.20	0.20
FINANCIAL (in thousands)		
Working capital _____	\$ 12,079	\$ 13,254
Total assets _____	78,520	69,679
Long-term debt _____	21,125	17,378
Shareholders' equity _____	29,058	26,871



Directors' report to shareholders

We take great pleasure in reporting 1978 earnings of \$1,625,000 or \$0.73 per common share on a fully taxed basis compared with \$0.51 per share last year. This is a remarkable improvement since our 1977 earnings included a gain of \$1,199,000 on the sale of marketable securities. There is no such gain included in the earnings of the current year.

While market conditions in Canada were not significantly different in 1978 than in the previous year, particularly in the capital goods sector, the depreciation of the Canadian dollar helped the competitive position for certain of our operations both in the export markets or versus American imports.

This welcome improvement in our earnings is due to the imagination, initiative and dedication of management and staff combined with the consolidation of our resources. In addition to maintaining a strong competitive position in our traditional markets, we received substantial contributions from the penetration of new markets through the fabrication of antennas for satellite communication systems, a new field of activity since 1977 for our Metals Group. The consolidation program initiated in 1975 has clearly been beneficial; in 1978, discontinued operations accounted for a loss of \$237,000 compared with losses of \$802,000 for 1976 and \$565,000 for 1977. It should be noted that operations of Canbro in Valleyfield, Quebec, Central Bridge in Trenton, Ontario and Marius Ouellet in Disraeli, Quebec, were halted during the year due to strikes which were eventually settled satisfactorily.

In addition, the corporate reorganization involving the Corporation and a majority of its subsidiaries has enabled us to recover \$1,146,000 in income taxes. Thus total earnings for 1978 amounted to \$2,771,000 or \$1.27 per common share compared to \$546,000 or \$0.19 per share in the previous year.

During the year, it was decided to embark on a vast expansion and upgrading program at both of our Western Canadian ski facilities, Sunshine Village and Garibaldi Lifts. Both are rated amongst the best in the world and are located in prime tourist and holiday centres in Canada. \$13,000,000 was committed to this program in 1978.

\$2,500,000 was also spent in 1978 for the upgrading and consolidation of our plant facilities, as well as a promising development program in our Global Travel Computer Services subsidiary.

During the year, the Corporation sold all of the shares of Warnock Hersey Professional Services Ltd. and certain of its subsidiaries to Shawinigan Consultants International Limited and Byron T. Kerr & Associates Ltd. at net book value. We take this opportunity to once again express our gratitude to all the employees of the Professional Services Group. We thank them for their loyalty and dedication and extend to them and the new owners our wishes for success in the future.

Although we do not anticipate a significant improvement for 1979 in Canadian economic conditions, the current level of orders on hand in certain of our operations augurs well for the Corporation if we remain competitive, particularly in export markets.

We are pleased to inform you that an agreement has been reached with a highly respected U.S. manufacturer of oil field production equipment, for the formation of a Canadian company which would produce similar equipment in Canada in our Calgary based C. K. Steel fabricating plant.

Since the start of the year, through a consortium of four banks, we have successfully negotiated long-term financing in the amount of \$27,500,000 repayable over a twelve-year period commencing three years hence. This financing replaces our current term debt and will fund our extensive capital expenditures program during the current year. It provides the Corporation, for the first time, with true long-term funds rather than the seven- to-ten-year term to which we were previously restricted. The Corporation and certain of its subsidiaries will pledge all fixed assets as security for this loan.

Two of our Directors, Messrs. F. H. Sobey and E. A. Galvin, will not stand for re-election at the annual meeting. Both have been on the Board of the Corporation for over ten years and have guided the management through the soundness of their advice and counsel. We thank them for their contribution and wish them well in the years ahead.

The Directors wish to express their sincere gratitude to all employees for their continued support and cooperation.

ON BEHALF OF THE BOARD

P. N. Thomson
Chairman

Ottawa, March 29th 1979

Yves J. Ménard
President

TIW INDUSTRIES LTD. and Subsidiaries
Earnings and financial review (in thousands)

EARNINGS	1978	1977	1976	1975	1974	1973
Gross revenues _____	\$107,001	\$92,113	\$98,658	\$95,966	\$102,080	\$77,584
Operating and administrative expenses _____	97,460	86,310	88,438	87,052	91,220	67,158
Depreciation and amortization _____	2,870	2,671	2,737	2,726	2,618	2,171
Interest expenses _____	2,923	2,523	2,762	3,001	3,318	2,188
Income taxes _____	2,023	604	3,316	1,752	2,497	2,691
Minority interest _____	100	(42)	(11)	47	53	35
Gain on sale of marketable securities _____	—	(1,199)	—	—	—	—
Earnings (loss) before extraordinary items _____	1,625	1,246	1,416	1,388	2,374	3,341
Extraordinary items _____	1,146	(700)	(133)	76	578	1,046
Total earnings (loss) _____	\$ 2,771	\$ 546	\$ 1,283	\$ 1,464	\$ 2,952	\$ 4,387

EARNINGS (LOSS) PER COMMON SHARE

Earnings (loss) before extraordinary items _____	\$0.73	\$0.51	\$0.68	\$0.67	\$1.19	\$1.70
Total earnings (loss) _____	1.27	0.19	0.61	0.71	1.50	2.26

FINANCIAL — at year end (in thousands)

Working capital _____	\$ 12,079	\$13,254	\$15,209	\$15,849	\$ 16,217	\$17,521
Net fixed assets _____	29,732	23,555	25,727	27,683	27,658	23,826
Total assets _____	78,520	69,679	75,015	71,865	72,605	67,771
Long-term debt _____	21,125	17,378	17,740	20,155	22,441	22,870
Shareholders' equity _____	29,058	26,871	27,668	25,010	24,047	22,105

NUMBER OF COMMON SHARES

OUTSTANDING _____	2,062	2,062	2,195	1,886	1,886	1,886
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*Interest expense on long-term debt only



1972	1971	1970	1969
\$58,548	\$50,749	\$68,417	\$83,217
53,093	48,550	67,971	79,305
1,573	1,323	1,923	2,328
1,421	1,335	2,264	1,143*
1,301	293	333	674
55	38	(108)	191
—	—	—	—
1,105	(790)	(3,966)	(424)
132	236	(3,084)	3,316
<u>\$ 1,237</u>	<u>\$ (554)</u>	<u>\$ (7,050)</u>	<u>\$ 2,892</u>

\$0.51	\$(0.52)	\$(2.25)	\$(0.33)
0.58	(0.39)	(3.93)	1.51

\$11,990	\$11,840	\$ 8,364	\$14,524
20,492	14,707	16,936	23,571
52,070	39,200	52,801	65,636
15,936	10,629	10,793	14,085
17,865	17,382	17,936	25,177
1,836	1,836	1,836	1,818

Additional information

The composition of the Corporation has undergone a substantial change during the period under review.

In 1969, investments in securities equalled 29.2% of total consolidated assets, whereas in 1978, they represented less than 1% of total assets.

Since 1969, the Corporation has withdrawn from a number of operations which were unprofitable; these include the aircraft, aerospace and stevedoring activities. The latter was accomplished in 1971 with the sale of the assets of the Eastern Canada Stevedoring division which, from 1969 to 1971 inclusively, accounted for 35% of consolidated revenues.

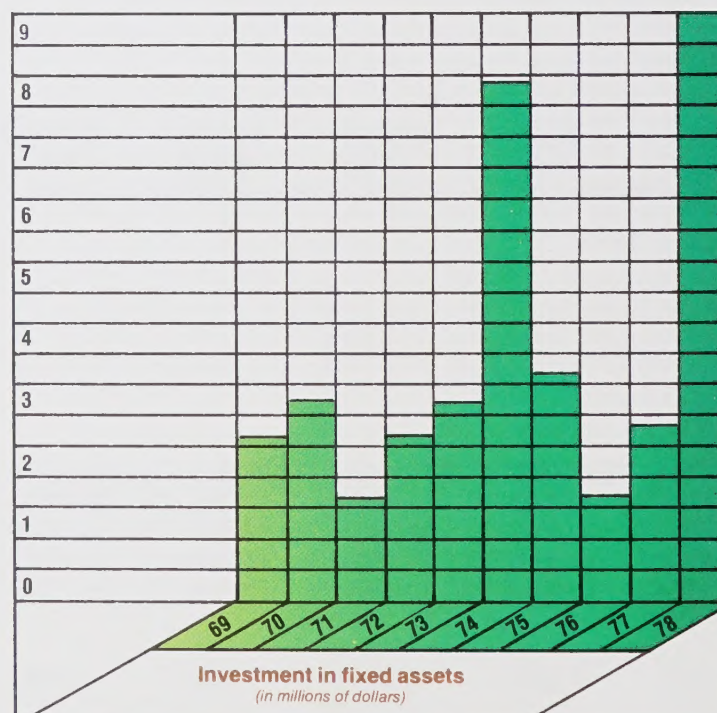
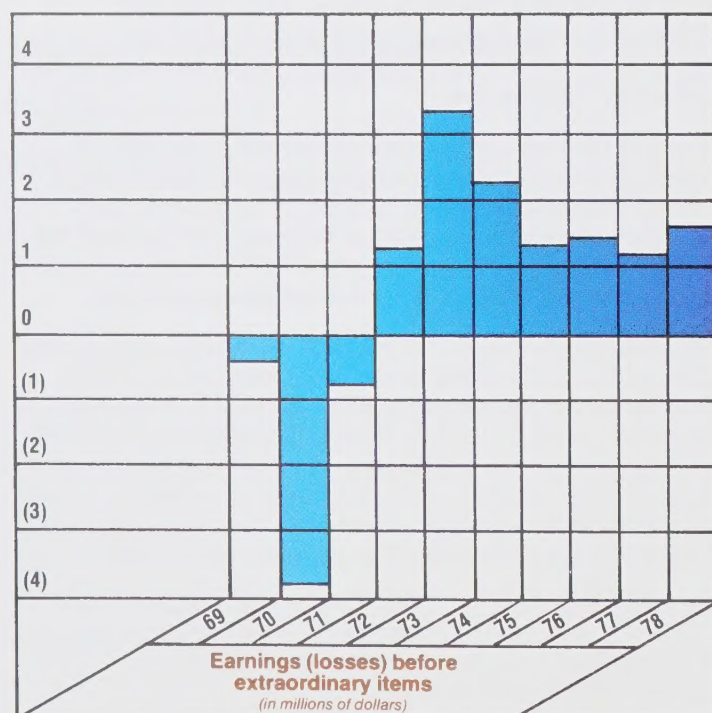
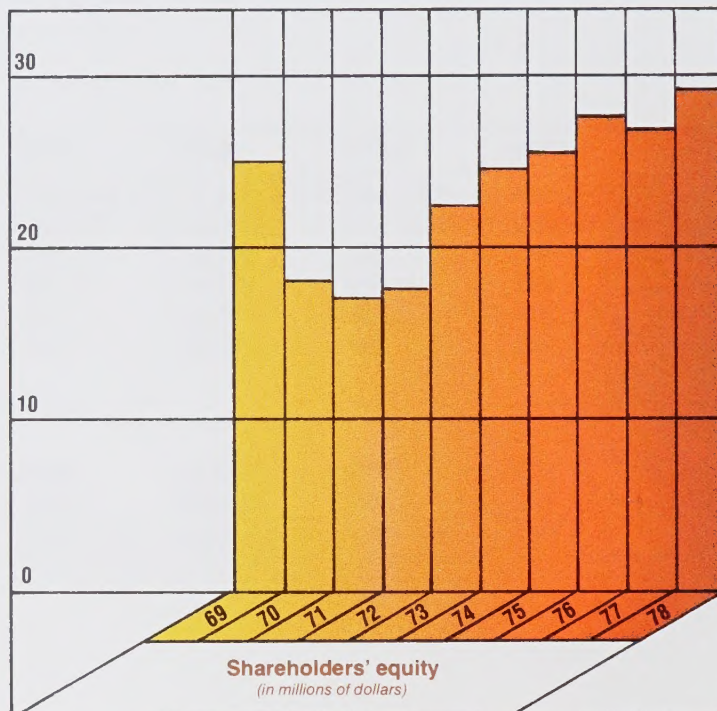
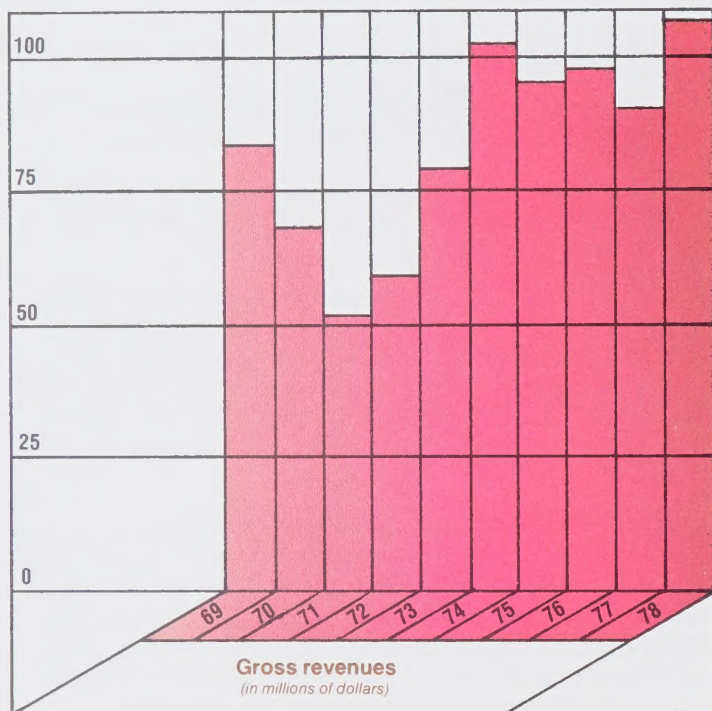
In 1975, the Corporation sold the transit advertising division. During 1976, it disposed of the plastic sign division and the US-based metal powders company. In 1977, it sold the Chanteclerc Hotel complex and proceeded to wind up the Bégin, Charland & Valiquette appraisal activity. These operations contributed individually, in the year of disposal, from 1.1% to 6.9% of consolidated gross revenues.

In 1978, the Corporation disposed of its subsidiary, Warnock Hersey Professional Services Ltd. which accounted for 9.4% of consolidated gross revenues for the ten years under review.

The first venture into the furniture industry was made in 1968 with the acquisition of Henderson Furniture Limited and of Princeville Furniture Limited. A number of other companies have been added in 1972 and 1973 so that the Furniture Group now accounts for 27.1% of total corporate assets and for 29.6% of consolidated gross revenues.

With the acquisition of The Toronto Iron Works, Limited, the Corporation entered the field of steel fabricating in 1972. Relabelled the Metals Group, this sector of activity now accounts for 36.2% of total corporate assets and for 46.7% of consolidated gross revenues. In 1977, this group expanded its activity into the fabrication of satellite communication antennas. This sector of activity accounted for 9.1% of the consolidated gross revenues in 1978.

On December 31st 1976, the Corporation acquired the P. Lawson Travel group of companies. It now accounts for 10.6% of total corporate assets and for 10.5% of consolidated gross revenues.





TIW's sectorial operations

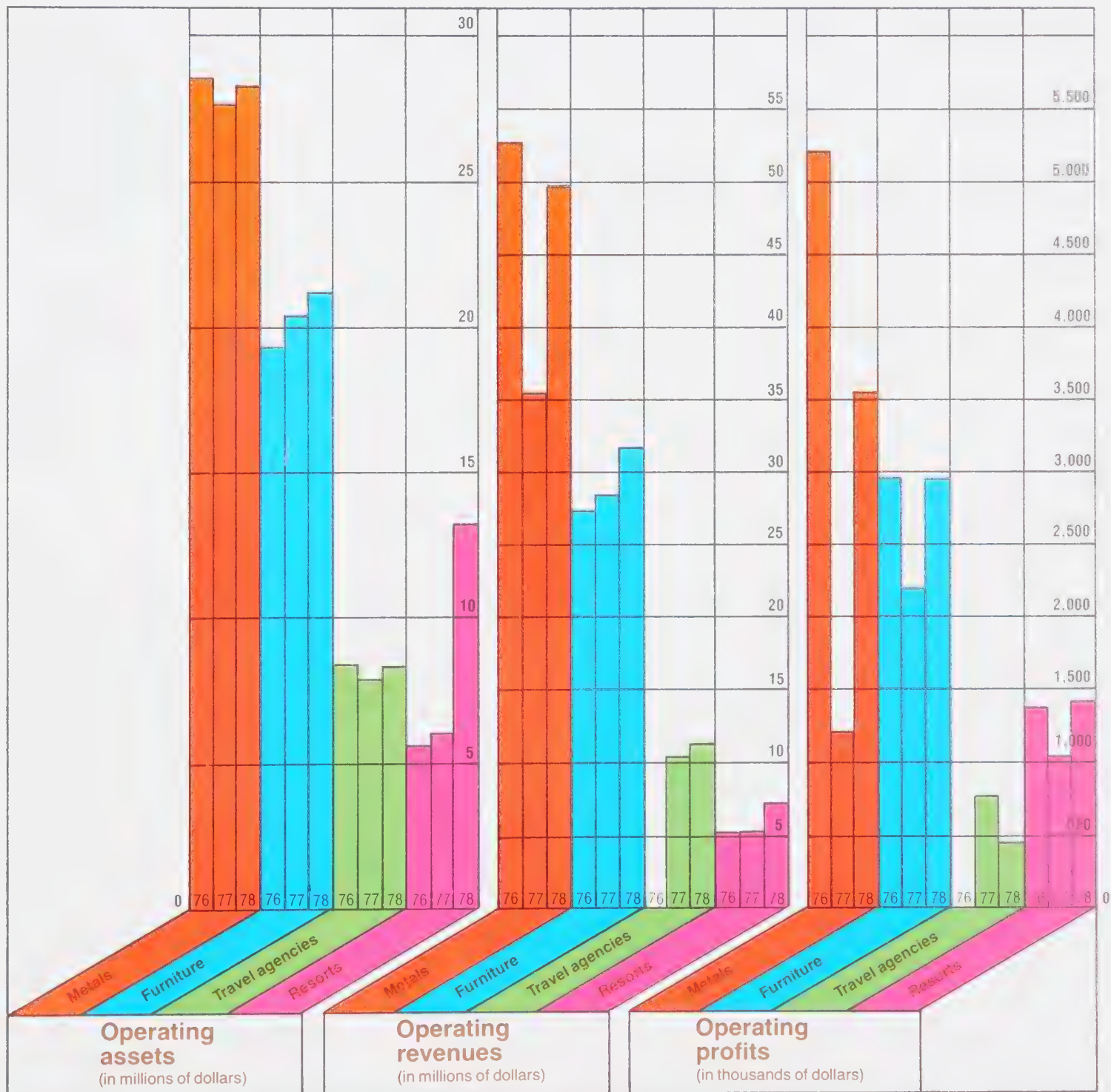
TIW INDUSTRIES LTD. and Subsidiaries
Financial review by segments (in thousands)

	Total Assets			Gross Revenues			Operating Profits		
	1978	1977	1976	1978	1977	1976	1978	1977	1976
Metals*	\$28,275	\$27,503	\$28,413	\$ 49,974	\$35,584	\$53,491	\$3,722	\$1,278	\$5,225
Furniture	21,313	20,340	19,522	31,645	28,303	27,323	2,911	2,204	2,984
Travel	8,297	7,878	8,298	11,173	10,458	—	447	796	—
Resorts	13,102	5,886	5,774	7,167	5,333	5,275	1,439	1,014	1,354
Operating	70,987	61,607	62,007	99,959	79,678	86,089	\$8,519	\$5,292	\$9,563
Discontinued operations	—	4,631	10,158	6,693	12,166	12,294			
Corporate & investments	7,427	3,441	2,850	349	269	275			
	<u>\$78,414</u>	<u>\$69,679</u>	<u>\$75,015</u>	<u>\$107,001</u>	<u>\$92,113</u>	<u>\$98,658</u>			

*This Group includes all steel fabricating and metal powders operations.

Reconciliation of operating profits to earnings (in thousands)

	1978	1977	1976
Operating profits	\$8,519	\$5,292	\$9,563
Investment income not included above	349	269	275
	8,868	5,561	9,838
Less: Amortization of intangible and deferred costs	414	381	635
Net losses of discontinued operations	237	565	802
Corporate administration	1,545	1,490	918
Interest expense	2,923	2,523	2,762
Income taxes	2,023	604	3,316
Minority interest	100	(42)	(11)
Gain on sale of marketable securities	—	(1,206)	—
Earnings before extraordinary items	<u>\$1,626</u>	<u>\$1,246</u>	<u>\$1,416</u>



The metals group.

A word from its President.

In spite of several set-backs including labour disruptions and extremely competitive market conditions, results turned out as planned in nearly all of the operating sectors comprising the Metals Group.

The CANBRO and INTERNATIONAL BRONZE POWDERS DIVISION, with plants in Valleyfield, Québec, and Royston, England, is recognized as a major world producer and distributor of non-ferrous metal powders and flakes. These products are used by the graphic arts, automotive, chemical, paint, plastics, commercial explosives, marine and powder metallurgy industries. A major expansion of the aluminium flaking facility at Valleyfield was completed and brought on stream in 1978. Expansion of the U.K. plant, contemplated in 1977, was commenced and completed in 1978, thereby enhancing its productivity. Further expansionary moves are being considered by the Metal Powders Division.

The year 1978 was not a satisfactory one for the Valleyfield operation. With a full order book, the plant became inoperative for nine weeks because of an employee strike; production resumed September 25 — with a new contract expiring April 17, 1981. To add to these difficulties, we suffered a serious fire on December 12th in the original aluminium flaking plant, thus causing hardships to customers at home and abroad who depend on us for high quality aluminium flake products.

1978 sales demand proved quite strong, while 1979/1980 looks even stronger for both the Canbro Canada and the Canbro U.K. operations. Steady growth and market penetration are foreseen for key selected items and projected new product lines.

The C. E. MACPHERSON COMPANY DIVISION, located in Kingston, Ontario, manufactures pressure vessel heads and other closures for the steel fabrication industry. 1978 was a good year for this division with sales revenue and net earnings finishing better than anticipated. Further gains are expected for 1979 in Canada, and emphasis will be placed on securing a position in the U.S. market to further improve Macpherson's long-term prospects.

WIMCO STEEL SALES CO. DIVISION in Oakville, Ontario, is a fully integrated steel service centre specializing in the sale and custom processing of flat-rolled steel shearing and edge conditioning for the auto,

agriculture, construction, appliance and wholesale hardware manufacturing industries. Markets extend from the Maritimes to Alberta in Canada and from northeast to midwestern United States.

Wimco experienced a turn-about in 1978 and the outlook for the future indicates continuing improvement. During the coming year, emphasis will be placed on increasing the scope of the product line offered, including tubular products. Further penetration in export markets is intended wherever opportunities exist.

THE STEEL PLATEWORK DIVISION, located in Toronto, specializes in the design, fabrication and erection of heavy steel plate products for the petroleum, chemical, power utility, mining, and iron and steel industries.

Canadian demand for these products through 1978 remained at its lowest level in over a decade. Though contract completions and operating margins matched our predictions, they were down considerably from preceding years; even these reduced levels were attained mainly from the completion of backlog orders booked in an earlier healthy market.

Operating volumes and margins can be expected to be even lower in 1979, despite some successes for shop-built work in the very competitive export market.

C. K. STEEL & MACHINERY LTD., associated with the Steel Platework Division, is located in Calgary, Alberta. This modest-sized company was acquired in October 1977 and gives us an interesting facility in that important market. Opportunities to expand into new product lines are being actively pursued and should come to fruition in the 1980's.

Losses incurred in early 1978 were inherent in the company's situation at take-over. Operations improved much as planned throughout the year despite a somewhat sluggish market. Moderate profits are expected in 1979, with good potential for the future.

TIW SYSTEMS LIMITED of Toronto and its subsidiary TIW SYSTEMS INC., of Palo Alto, California, both enjoyed an extremely active year in the areas of field installation and new business booked.

This division has now firmly established itself as a world leader in the supply of large diameter antennas. Its technological capabilities are evidenced by the awarding, among others, of sophisticated telemetry and tracking unit contracts by Communications Satellite Corporation and related agencies in Italy and Brazil. Field crews were



at work in Sweden, Norway, Finland, Oman, Indonesia and Canada. New orders were booked for such widely separated areas as Iceland, Sweden, Italy, United States, Brazil, Cyprus and Ghana.

CENTRAL BRIDGE COMPANY DIVISION with a plant in Trenton, Ontario, is a specialty fabricator of light steel plate and structural steel. Despite the volume of work obtained through TIW Systems, the continuing depressed market conditions in the structural steel industry adversely affected the results of this division. The situation was further complicated by a six-week strike of its plant employees in the latter part of the year.

On a brighter note, the backlog of work which had been obtained by year-end ensures that the division will be operating, during the first half of 1979, at a manpower level considerably higher than forecast and higher than that achieved for any similar period during the last six years.

In spite of this activity, margins are not expected to be satisfactory, reflecting the extremely competitive situation existing in all of the market segments.

A handwritten signature in dark ink, reading "Walter Morris". The signature is written in a cursive, flowing style with a period at the end.

WALTER MORRIS



The furniture group.

A word from its President.

1978 proved to be quite stimulating in more ways than one: Our clients bought more, our employees worked even better, our objectives were handsomely met. I explain it this way.

1. The demand for Canadian-made furniture is on the increase, resulting largely from our dollar depreciation which, in turn, tended to discourage the importing of American goods.
2. Through selling more Canadian products, retailers could bank on receiving better after-sales service than that tendered by foreign suppliers.
3. Some merchants contend that our consumer has become more aware of the importance of "buying Canadian".

At Radisson, 1978 has seen important capital investment in improved plant facilities and better equipment, especially in two instances. Firstly, there is the Princeville plant where we have expanded further the development programme initiated in 1976. While at Henderson's, all manufacturing operations have been concentrated within the one area, thereby simultaneously increasing productivity and lowering operating costs.

Now, for a look at our labour relations in 1978. In five out of six of our divisions, new collective agreements have been negotiated for periods extending from 24 to 36 months. The Royal Chesterfield agreement, which expires in May 1979, will be worked out in due time.

A word on our Bourassa division which is located at Saint-Raymond. As regards both volume and profit, 1978 has been a record year for Bourassa. However, as usually befalls this sort of mill, Bourassa's specialized lathe-work activities remain greatly influenced by market conditions and, more particularly, by the changing trends and fads of furniture design.

General expectations for 1979 appear excellent. As a starter, we already held backlog orders worth over twelve million dollars. Then, January 1979 brought us spectacular success at the Toronto Furniture Show where Radisson reaped resounding sales of three and half million plus!

But there's a fly in all that beautiful ointment. What will happen when the 8% sales tax in Québec, temporarily cancelled last year, is reinstated?

All told, 1978 has been kind to the Radisson Group, despite a strike at our Marius Ouellet plant and difficulties encountered at Henderson's. Nevertheless, once again, our over-all performance exceeded that of the industry as a whole. We ascribe this healthy situation firstly to our faithful clientèle who, as always, can count on all Radisson divisions upholding our standard policy of *service and warranty*.

Still, I should be greatly at fault, were I not to emphasize that Radisson owes much of its reputation to our dedicated and capable employees. My personal thanks go out to each and every one of them. Let's all pull together in 1979, thus maintaining and perhaps even bettering our Group's sound profit margins.



J. ALBERT ST-PIERRE



The travel agency group.

A word from its President.

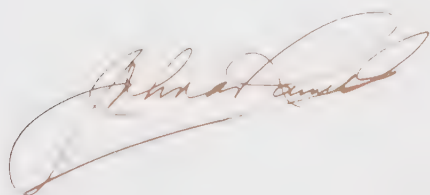
1978 was a difficult year for the Canadian travel industry as well as for P. Lawson Travel and its associated companies. Seasonal travel habits changed perceptibly, with the November-to-March period showing great strength and the summer period reflecting a decline.

The depreciation of the Canadian dollar had a significant effect on travel to Europe last summer. Although the number of passengers did not actually decrease, the reasons for travelling showed notable changes. The "real" tourist did not travel nearly as much, but the VFR (Visiting Family and Relatives) market increased. As a result, average sales to Europe were appreciably lower than the previous year's and our higher commission products were little in demand. Our companies were also seriously affected by the August/September Air Canada strike.

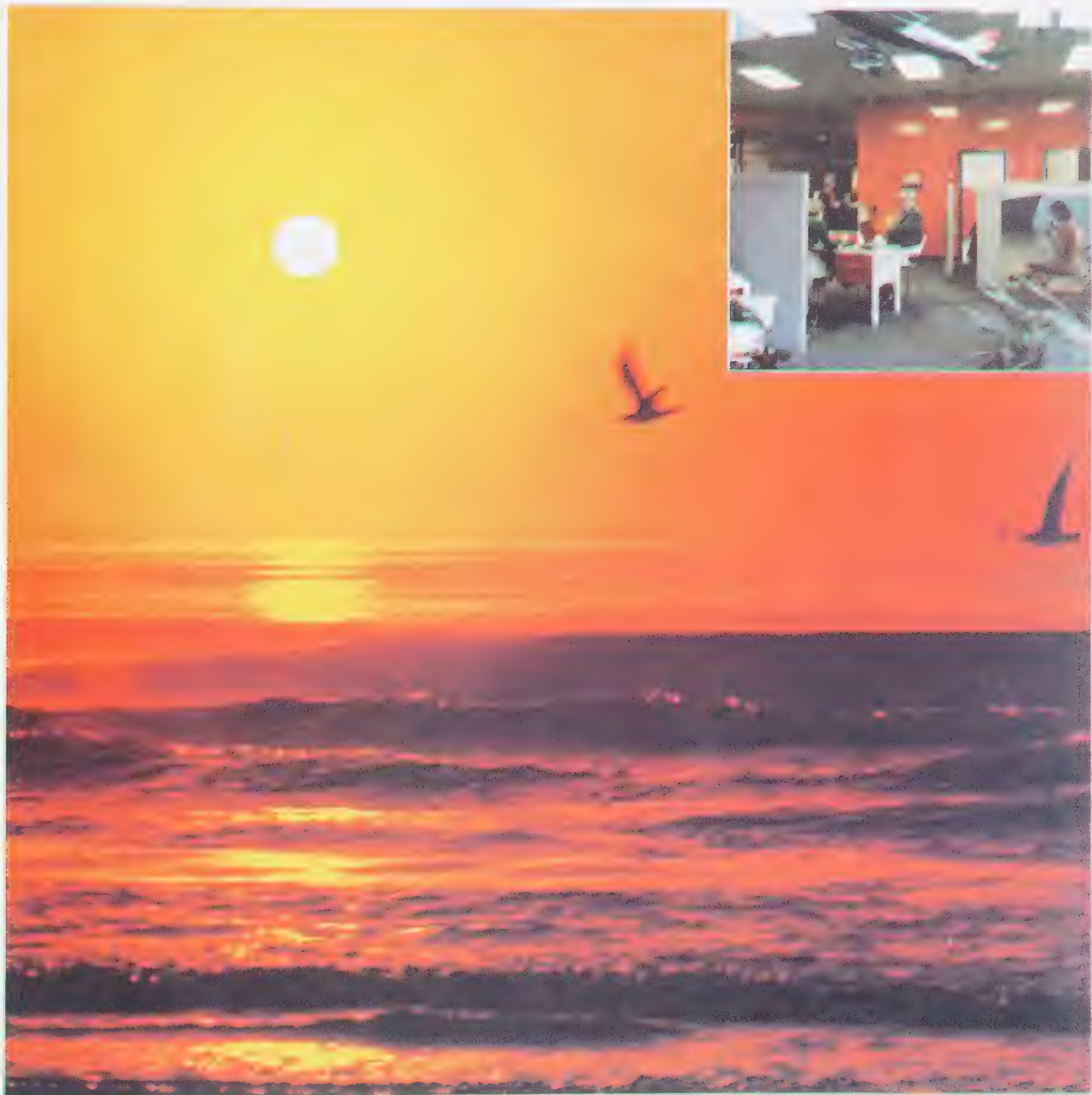
Nevertheless, our over-all volume growth was encouraging, but increased costs and loss of higher income sales lowered our profit in 1978 compared to 1977.

The outlook for 1979 indicates an improvement over 1978, although the summer is expected to again present a problem. 1978 was the first year Canadians benefited from low-cost charters and reduced air fares within Canada. Their success has stimulated a higher interest for 1979. This factor, combined with imaginative planning by our group for developing new travel, should produce an improvement over 1978. Winter travel appears to be holding its own, if not increasing, and our travel group of companies is therefore expected to present a generally improved picture.

In 1978, P. Lawson Travel opened three new offices in Ontario: Elliott Lake, Ottawa (Barrhaven), and Toronto (Towne & Countrie Square).



JOHN A. POWELL



The resorts group.

A word from its President.

The year 1978 was one of intense activity and excitement for our Western Ski Division. At both Sunshine Village in Alberta and Garibaldi Lifts' Whistler Mountain facility in British Columbia, the year began with excellent snow conditions. As a result, both areas experienced record crowds until season closing in May. This situation was in marked contrast to that which prevailed during the same period in 1977 when the lack of snow had serious effects. While snow conditions during November and December of 1978 were relatively good at Sunshine, they were late developing at Whistler. This tended to act as a depressant on the year's otherwise favourable results. Once again we were made to realize how dependent our resort operations are on that most important of all factors — the weather.

Considerable enthusiasm was generated this year by the expansion plans announced for both locations. Garibaldi Lifts Ltd. made public a proposal to build three new high-capacity lifts, plus ancillary services and buildings on the north face of Whistler Mountain. Besides opening up new terrain and trails, this multi-phased development is intended to tie in with existing facilities (including the "Little Red Chair" begun in 1977 and completed this year), and will give skiers access to the presently developed ski area. When this programme is completed, the skiing public will enjoy the use of 15 different lifts, miles of trails and the vast alpine regions for which this area is famous. Preliminary work began on the expansion plan during 1978.

For Sunshine Village, 1978 brought to a successful issue a number of years of negotiations with the authorities. This agreement allowed the start of a major expansion designed to eliminate certain problems at Sunshine. These included the present three-mile bus access system from the parking lot to the Village proper; the lack of timbered skiing so necessary during periods of inclement weather; and a general over-taxing of the available facilities.

In 1978, work started on the construction of a gondola to replace the present bus access system. This project is scheduled for completion in time for the opening of the 1979-80 ski season. To clear up the other two problems, a step-by-step development programme has been launched with full implementation expected during the summer of 1982. This operation calls for the addition of eight new lifts (two of which were completed this year), new ski trails (many to be cut through wooded slopes), restaurants,

cafeterias, staff housing and other ancillary facilities. The over-all result, besides further opening up some of the best ski terrain in Western Canada, will be to increase the comfortable capacity of the area from some 2,500 skiers per day to as many as 6,000.

Despite such encouraging news, the Western Ski Division faced numerous problems in 1978, some of which are common to many Canadian businesses. Strong upward pressures were experienced in most operating costs. The resort industry has been especially affected by the depreciation of the Canadian dollar. Increases of up to 40 per cent have occurred in the cost of lift components imported from Europe, and lift maintenance represents a significant operating cost. Similarly, because of the exchange differential, compounded by higher Canadian import duties and Federal and Provincial sales taxes, it now costs from 35 to 45 per cent more to install a lift in Canada than it does in the United States. As a result, it is becoming increasingly obvious that lift ticket prices are depressed in Western Canada and substantial price increases will be necessary.

In looking to the future, the Resorts Group remains optimistic. Facilities are located in two of the strongest economic regions in Western Canada. With the current expansion plans underway at both Sunshine and Whistler Mountain, it appears certain that these already fine facilities will become even better. Given favourable weather conditions, the Group anticipates attracting record numbers of skiers to both locations during the 1978/79 season.



JOHN A. PARKE





Global Travel Computer Services Ltd.

A word from its President.

Global Travel Computer Services Ltd. is on the threshold of a fascinating and challenging future due to the on-going development of travel agency computer systems, and also the design and implementation of new computer services in related fields and other areas.

The Company is developing an on-line system for the retail travel industry which will eventually result in a largely "paperless" travel agency. This new service will become available here during 1979 and, in conjunction with ITT, will also be introduced to the U.S. market.

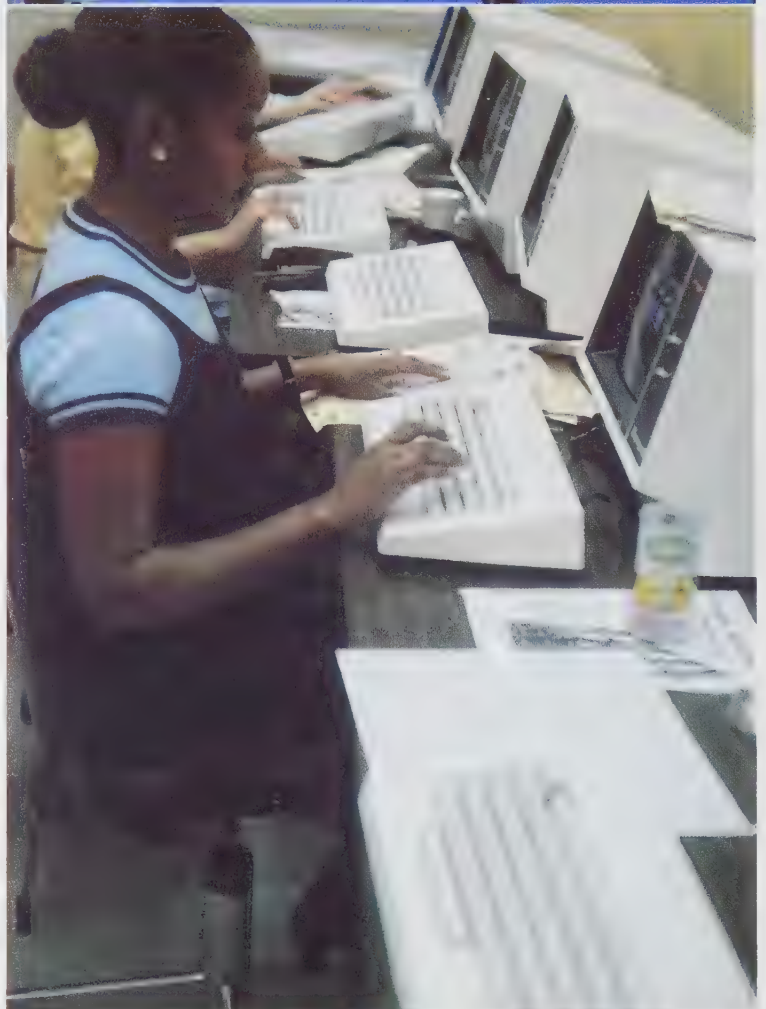
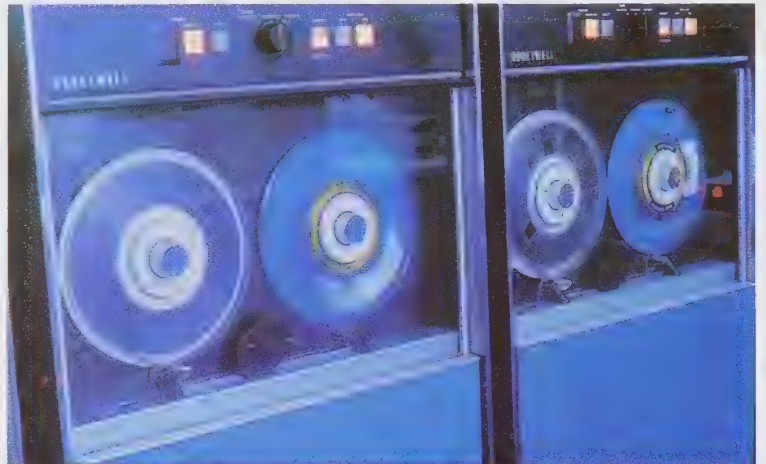
This particular system, known as TCSII, should prove highly beneficial to Global's clients, by increasing efficiency and, therefore, profitability. Similarly, Global will also introduce a computer system for tour operators, combining inventory management with a comprehensive accounting and management information system.

In addition to travel related services, Global is utilizing its highly qualified technical staff to produce computer systems for other industries. A major project consists in designing modern, sophisticated accounting and information systems for the companies and divisions of TIW Industries Ltd.

During 1978, operations were successful despite the investment of considerable time and effort in preparing for the future. Prospects for 1979 are for continued profitable operations; however, development and implementation costs for new systems might result in minimal earnings.

Once the initiatory development costs have been absorbed, the Company anticipates generating a significant level of profits and return on invested capital.

EDWARD J. BRYANT





TIW's over-all operations

TIW INDUSTRIES LTD. and Subsidiaries**Consolidated statement of earnings**
for the year ended December 31, 1978 (in thousands)

	1978	1977
INCOME		
Gross revenue from operations	\$106,547	\$91,719
Income from investments	454	394
	<u>107,001</u>	<u>92,113</u>
EXPENSES		
Operating and administrative	97,460	86,310
Depreciation and amortization	2,456	2,290
Amortization of intangible and deferred costs	414	381
Interest on long-term debt	2,158	2,010
Other interest	765	513
Income taxes	2,023	604
Minority interest	100	(42)
Gain on sale of marketable securities	—	(1,199)
	<u>105,376</u>	<u>90,867</u>
EARNINGS BEFORE EXTRAORDINARY ITEMS	<u>1,625</u>	<u>1,246</u>
EXTRAORDINARY ITEMS	<u>1,146</u>	<u>(700)</u>
EARNINGS FOR THE YEAR	<u>\$ 2,771</u>	<u>\$ 546</u>
EARNINGS PER COMMON SHARE		
Before extraordinary items	\$0.73	\$0.51
After extraordinary items	\$1.27	\$0.19

Consolidated statement of retained earnings
for the year ended December 31, 1978 (in thousands)

RETAINED EARNINGS, January 1	\$12,047	\$11,992
Earnings for the year	2,771	546
Gain on redemption of shares	—	78
Dividends paid — preferred shares	(121)	(134)
— common shares	(413)	(435)
RETAINED EARNINGS, December 31	<u>\$14,284</u>	<u>\$12,047</u>


TIW INDUSTRIES LTD. and Subsidiaries

Consolidated statement of changes in financial position
for the year ended December 31, 1978 (in thousands)

	1978	1977
WORKING CAPITAL INCREASED BY		
Earnings before extraordinary items	\$ 1,625	\$ 1,246
Items not requiring an outlay of funds:		
Depreciation and amortization	2,456	2,290
Amortization of intangible and deferred costs	414	381
Deferred income taxes	521	180
Minority interest in earnings	100	(42)
Gain on disposal of fixed assets	(104)	(98)
Working capital increased by operations, exclusive of extraordinary items	5,012	3,957
Extraordinary items	1,146	12
	6,158	3,969
Proceeds on issue of long-term debt	8,129	2,589
Proceeds on disposal of fixed assets	686	377
Reduction in notes and mortgages receivable	81	43
Sale or acquisition of subsidiary companies	229	161
	15,283	7,139
WORKING CAPITAL DECREASED BY		
Reduction in long-term debt	4,330	4,111
Purchase of fixed assets	9,514	2,939
Payment of dividends	534	569
Purchase of shares for cancellation	31	696
Increase in other investments	729	427
Investment in mortgages	437	328
Purchase of minority interest	367	—
Development costs	516	—
Investment in shares of subsidiaries	—	24
	16,458	9,094
DECREASE IN WORKING CAPITAL	1,175	1,955
WORKING CAPITAL, JANUARY 1	13,254	15,209
WORKING CAPITAL, DECEMBER 31	\$12,079	\$13,254

TIW INDUSTRIES LTD. and Subsidiaries**Consolidated balance sheet as at December 31, 1978** (in thousands)

Assets	1978	1977
CURRENT		
Cash and deposit receipts	\$ 2,693	\$ 2,531
Accounts receivable	22,830	21,804
Inventories	11,749	11,185
Deferred income taxes	107	—
Prepaid expenses and other current assets	1,104	1,776
	<u>38,483</u>	<u>37,296</u>
INVESTMENTS		
Mortgages and notes receivable	3,275	2,919
Advances in respect of executive stock purchase plan	468	468
Other	1,379	650
	<u>5,122</u>	<u>4,037</u>
FIXED		
Land, buildings and equipment	54,143	48,207
Less: Accumulated depreciation	24,411	24,652
	<u>29,732</u>	<u>23,555</u>
DEFERRED DEVELOPMENT COSTS	<u>402</u>	<u>—</u>
INTANGIBLE		
Excess of cost of subsidiaries over the values assigned to the net assets	5,844	5,553
Less: Accumulated amortization	1,063	762
	<u>4,781</u>	<u>4,791</u>
	<u>\$78,520</u>	<u>\$69,679</u>

ON BEHALF OF THE BOARD

Yves J. Ménard, Director
R. A. Irwin, Director



Liabilities	1978	1977
CURRENT		
Bank indebtedness	\$ 7,395	\$ 4,926
Accounts payable and accrued liabilities	14,306	14,260
Dividends payable	25	44
Income and other taxes payable	1,202	1,163
Long-term debt due within one year	3,476	3,206
Deferred income taxes	—	443
	<u>26,404</u>	<u>24,042</u>
LONG-TERM DEBT, less amounts due within one year	21,125	17,378
DEFERRED INCOME TAXES	1,564	1,043
MINORITY INTEREST	369	345
Shareholders' Equity		
CAPITAL STOCK		
Preferred shares of no par value, issuable in series:		
Authorized 257,595 shares		
Issued 78,870 shares (1977 — 80,870 shares)		
\$1.50 series "A" cumulative redeemable at \$26.25	1,972	2,022
Common shares of no par value:		
Authorized 3,000,000 shares		
Issued 2,061,847 shares	12,802	12,802
	<u>14,774</u>	<u>14,824</u>
RETAINED EARNINGS	14,284	12,047
	<u>29,058</u>	<u>26,871</u>
	<u>\$78,520</u>	<u>\$69,679</u>

Auditors' report

To the Shareholders,
TIW Industries Ltd.

We have examined the consolidated balance sheet of TIW Industries Ltd. as at December 31, 1978 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1978 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Campbell Sharp
Chartered Accountants

Ottawa, February 16, 1979

TIW INDUSTRIES LTD.

and Subsidiaries

Notes to the consolidated financial statements

December 31, 1978

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Basis of consolidation:

The consolidated financial statements include the accounts of the Corporation and all of its subsidiaries.

The excess of the cost of acquiring a new business, over the underlying book value of net assets acquired, is allocated first to such of the acquired assets as may be undervalued in the accounts of the new business. Any excess is carried in the consolidated balance sheet as an intangible asset and amortized over a reasonable period of time depending on the nature and size of the operations of the acquired business.

During the year, the Corporation acquired 2½% of the shares of TIW Systems Ltd. from the minority shareholders for a cash consideration of \$294,000. Of this amount, \$291,000 was allocated to intangible assets and is being amortized over a ten year period. The Corporation is committed to purchase the remaining 7½% of the shares of TIW Systems Ltd., currently held by the minority shareholders, over a three year period from 1979 to 1981 at a price based on annual profits.

Additional purchase consideration for C. K. Steel & Machinery Ltd., purchased in 1977, is to be computed annually as a percentage of net equity, payable in varying instalments from 1979 to 1982 at the option of the vendor. Any additional purchase consideration up to an amount of \$386,000 will be allocated to tangible assets and any excess carried as an intangible asset.

Of the total amount of \$5,844,000 accumulated to date as an intangible asset, \$5,553,000 is being amortized over a twenty year period and \$291,000 is being amortized over a ten year period.

B) Inventories

Inventories, including construction contracts in progress, have been consistently valued at the beginning and end of the year at the lower of cost and net realizable value. Cost in the case of products manufactured consists of direct material and labour costs together with the relevant factory overheads. The "completed contract" method of

accounting is followed for construction contracts in progress, and accordingly, profits on contracts are only recognized when the final stage of completion has been reached, any losses on contracts are provided for as soon as such become apparent.

C) Fixed Assets

The major categories of fixed assets are as follows:

	1978		1977	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land _____	\$ 3,752,000	\$ —	\$ 3,752,000	\$ 3,893,000
Buildings _____	15,208,000	5,595,000	9,613,000	9,391,000
Machinery and equipment _____	28,573,000	18,067,000	10,506,000	9,298,000
Construction in progress _____	4,997,000	—	4,997,000	—
Other _____	1,613,000	749,000	864,000	973,000
	<u>\$54,143,000</u>	<u>\$24,411,000</u>	<u>\$29,732,000</u>	<u>\$23,555,000</u>

Leasehold improvements are amortized over the terms of the related leases. Depreciation of buildings is provided at rates varying from 2½% to 10% and depreciation for machinery and equipment and other assets is provided at rates varying from 5% to 30%.

D) Other investments

Investments in joint ventures, for the purpose of carrying out oil and gas exploration programs in the amount of \$1,125,000 are carried at the lower of cost and estimated market value. Earnings, including revenues from the production of oil and gas wells, will only be recognized in the accounts upon full recovery of the original investment. Certain of these investments are in the form of common shares or a debenture convertible into common shares. Other investments in the amount of \$254,000 are related to a residential development project in Florida, U.S.A. and are carried at equity.

E) Deferred Development Costs

These costs are being amortized over various periods not exceeding eight years depending on the nature of the projects. To date \$114,000 has been amortized.

2. ADVANCES IN RESPECT OF EXECUTIVE STOCK PURCHASE PLAN

The outstanding balance is represented by the cost of 100,000 shares (\$586,000) for the establishment of an executive stock purchase plan dated as of September 26, 1975, for the benefit of three officers, two of whom are also directors of the Corporation.

An amount of \$118,000 representing the first of five equal



annual instalments, which are specified under terms of payment, has been included in current assets.

3. MORTGAGES AND NOTES RECEIVABLE

A) Advances to employees and officers: Second mortgage loans, interest free, receivable in 240 equal consecutive monthly instalments to 1997, granted to seven officers (including 2 who are also directors) and one employee	\$ 315,000
B) 9% first mortgage, receivable in monthly instalments of \$5,000 plus interest with the balance becoming due on Aug. 31, 1987	2,570,000
C) Note receivable bearing interest at bank prime rate plus 1½% repayable in 4 equal consecutive annual instalments	580,000
D) Other	35,000
	3,500,000
Less: amounts due within one year included in current assets	225,000
	<u>\$3,275,000</u>

4. LONG-TERM DEBT AND BANK INDEBTEDNESS

A) Of the total amount of \$24,601,000 of long-term debt, \$13,647,000 is due by the Corporation and \$10,954,000 is due by the subsidiaries. The capital repayments for the calendar years 1979 to 1983 are as follows: \$3,476,000, \$4,872,000, \$3,138,000, \$3,081,000 and \$2,925,000 respectively.

B) Interest rates for the term bank loans generally fluctuate with changes in prime rate while rates for other indebtedness are usually fixed for the term of the debt. The average rate of interest in effect on December 31, 1978 was 12.75%.

C) Current and term bank loans are secured by various combinations of the following: (I) General assignment of accounts receivable (II) Assignment of inventories (III) Assignment of fixed assets of certain subsidiaries by way of floating charge debentures.

5. CAPITAL STOCK

During 1978, the Corporation purchased for cancellation, 2,000 shares of the \$1.50 cumulative redeemable preferred series "A".

6. DISPOSAL OF A SUBSIDIARY

During the year, the Corporation disposed of a subsidiary Warnock Hersey Professional Services Ltd. at a price equivalent to the net book value of the underlying net assets of the subsidiary.

7. EXTRAORDINARY ITEMS

	1978	1977
Reduction in income taxes through utilization of loss-carry-forward	\$1,146,000	\$ 236,000
Estimated loss on disposal and wind up of operations (net of income taxes of \$482,000)	—	(1,076,000)
Gain on disposal of a manufacturing plant (net of income taxes of \$16,000)	—	140,000
	<u>\$1,146,000</u>	<u>\$ (700,000)</u>

8. INCOME TAXES

The portion of losses accumulated in prior years by certain subsidiaries which have not been recognized in the financial statements amount to approximately \$2,174,000 and expire as to \$170,000 in 1981, \$1,241,000 in 1982 and \$763,000 in 1983.

9. CONTINGENT LIABILITIES

On August 16, 1974, an action was instituted in the Superior Court, District of Montreal, against the Corporation and a former subsidiary, by Lockheed Aircraft Corporation, claiming \$7,949,000 arising from the cancellation of a supply contract by the subsidiary. Lockheed Aircraft Corporation filed on February 14, 1977, an amended action reducing its claim from \$7,949,000 to \$2,721,000. This action continues to be contested vigorously. A counterclaim against Lockheed Aircraft Corporation in the amount of \$2,000,000 in relation to the same matter is likewise being pursued actively. Capital Management Limited, a subsidiary company, and its subsidiary All-Canadian Group Distributors Limited, are defendants in various lawsuits arising out of a management agreement. The trial took place in 1978; however, a decision has not yet been rendered. Legal counsel is of the opinion that such lawsuits are not well founded.

As a result of the amalgamation of the Corporation and five of its subsidiary companies on December 31, 1977, two shareholders holding a total of 12,000 common shares demanded payment for their shares under the provision of Article 184-7 of the Canada Business Corporations Act. They have rejected the fair value of \$5.75 per share offered by the Corporation and have instituted legal proceedings in Ontario to have the Court set the fair value.

Management and legal counsel are of the opinion that adequate provision has been made in the accounts for the foregoing matters.

10. ANTI-INFLATION LEGISLATION

The Corporation and its subsidiary companies have been subject to legislation enacted by the Government of Canada on October 14, 1975 which imposed certain restrictions with respect to prices, profit margins and compensation.

11. CLASSES OF BUSINESS

The Board of Directors has determined the following classes of business in accordance with Statistics Canada Standard Industrial Classification Code and the revenue for each class is as follows:

	1978	1977
Manufacturing:		
household furniture _____	\$ 26,304,000	\$23,588,000
boiler and plate work _____	20,357,000	18,624,000
satellite communication antennas _____	9,688,000	—
saw mill _____	5,341,000	4,710,000
other _____	9,921,000	10,007,000
Wholesale Trades:		
metal and metal products _____	9,968,000	6,920,000
Services:		
engineering and scientific _____	6,693,000	9,877,000
resort and ski centers _____	7,103,000	7,302,000
other _____	11,172,000	10,691,000
	\$106,547,000	\$91,719,000

12. CONTRACTUAL OBLIGATIONS

The Directors have approved an aggregate amount of approximately \$6,500,000 for the construction of a gondola at Sunshine Village in Banff, Alberta. Long-term financing has been secured for this project.

13. EARNINGS PER SHARE

Net earnings per common share is based on the average number of shares outstanding during the year after deduction of the preferred dividend.

Consultant, editor and project manager
Jean-François Pelletier
Publicité Pelletier Limitée

Graphic design, layout and translation
Martial Boucher and Francis Progneaux
RMF Advertising Inc.

Montréal, March 1979

Captions explaining sectorial illustrations

Metals — page 11

Main photo:
Multi-torch profile plate burning on a No. 50 Airco Travograph plate burner, equipped with a magic eye.
Steel Platework Division, Toronto, Ontario.

Left inset:
Long-seam welding, using automatic submerged arc process, on a thirteen-foot Ransome manipulator.
Steel Platework Division, Toronto, Ontario.

Right inset:
Coil steel strip stocks.
Wimco Steel Sales Division, Oakville, Ontario.

Metals — page 13

Main photo:
Periscopic antenna built in 1978 for Teleglobe's new telecommunications station, located at Weir in Québec's Laurentian area. Manufactured by our Central Bridge Division, Trenton, Ontario, this 32-meter antenna was designed and installed by our TIW Systems Division, Toronto, Ontario.

Top inset:
Intermediate blending hopper for atomized metallic powders.
Canbro/International Bronze Powders Division, Valleyfield, Québec.

Bottom inset:
45-gallon drums of various metallic flake powders.
Canbro/International Bronze Powders Division, Valleyfield, Québec.

Furniture — page 15

Main photo:
A rotary clamp carrier, making multiple-use solid wood panels.
Thibault Division, Sainte-Thérèse, Québec.

Left inset:
Inspecting and retouching a bedstead section (here, a foot-board).
Thibault Division, Sainte-Thérèse, Québec

Right inset:
Unpainted and seatless chairs stacked in storage.
Henderson Division, Saint-Lambert, Québec.

Travel agency — page 17

Main photo:
When travelling, time flies fast...

Inset:
A Bel-Air agency office.
Bel-Air Travel Division, Montréal, Québec

Resorts — page 19

Main photo:
Garibaldi Lifts location, Mount Whistler, B.C.
Western Ski Division, Calgary, Alberta.

First inset:
On the wing...

Second inset:
A Garibaldi chair-lift at Mount Whistler, B.C.
Western Ski Division, Calgary, Alberta.

Global travel computer — page 20

Top:
The computer's magnetic tape handler which reads data from tape into system.
Global Travel Computer Services Division, Toronto.

Bottom:
Girl using a data entry terminal to provide on-line information to one of Global's mini computer systems.
Global Travel Computer Services Division, Toronto.



Principal operating companies or divisions

Metals group

(Head Office)
629 Eastern Avenue
Toronto, Ontario M4M 1E4
(416) 461-8111

W. Morris, President

W. P. Petrie, Vice-President/Finance
G. T. Karna, Comptroller

Steel Platework Division
629 Eastern Avenue
Toronto, Ontario M4M 1E4
(416) 461-8111

S. L. Kerby, President

C. E. Macpherson Company
468 Rideau Street
Kingston, Ontario K7L 4W2
(613) 549-2001

R. B. McIntyre, President

Les Constructeurs d'Acier TIW Limitée
315-750 Laurentian Blvd.
Ville St-Laurent, Qué. H4M 2M4
(514) 747-9353

S. L. Kerby, Vice-President
and General Manager

TIW Systems Inc.
Suite 103
1900 Embarcadero Road
Palo Alto, Calif. 94303
(415) 321-7051

L. E. Becker, President
R. Luik, Vice-President

Central Bridge Company
300 West Street
Trenton, Ontario K8V 5R8
(613) 392-2851

D. M. Cameron, President

Wimco Steel Sales Co.
1218 South Service Road
Oakville, Ontario L6L 5J9
(416) 827-9855

G. J. Scott, President

TIW Systems Limited
629 Eastern Avenue
Toronto, Ontario M4M 1E4
(416) 461-8111

D. M. Cameron, President

C. K. Steel & Machinery Ltd.
4619 - 6A Street N.E.
Calgary, Alberta T2E 4B4
(403) 276-7971

L. Csepregi, General Manager

International Bronze Powders Company
29 East Park Street
Valleyfield, Qué. J6S 4V9
(514) 373-0233
Montréal direct: 866-8514

E. T. Stanger, President

Canbro (U.K.) Limited
Willowside Industrial Estate
York Way, Royston, Herts
England SG8 5HJ
Tel: (0763) 41244

G. B. Nelson, Managing Director

Canbro Division
29 East Park Street
Valleyfield, Qué. J6S 4V9
(514) 373-0233
Montréal direct: 866-8514

E. T. Stanger, President

Furniture Group

(Head Office)
Radisson Furniture Limited
465 Victoria Street
Saint-Lambert, Qué. J4P 2J2
(514) 672-0313

J. A. St-Pierre, President
R. J. Labonté,
Vice-President/Manufacturing
R. A. Séguin, Vice-President/Marketing
C. Bourdeau, Comptroller

Henderson Division
199 Upper Edison Avenue
Saint-Lambert, Qué. J4R 2R3
(514) 671-7221

C. Pothier, Executive Vice-President

Princeville Division
55 des Erables Street
Princeville, Qué. G0P 1E0
(819) 364-5506

R. Fauteux, Executive Vice-President

Thibault Division
6 Saint-Alphonse Street
Sainte-Thérèse, Qué. J7E 1G3
(514) 430-2710

A. Labbé, Executive Vice-President

Marius Ouellet Division
Disraéli, Qué. G0N 1E0
(418) 449-2530

D. Ouellet, Executive Vice-President

Royal Chesterfield Division
328 De Bigarré Street
Victoriaville, Qué. G6P 4Z2
(819) 752-9724

R. Piché, Executive Vice-President

Industries Bourassa Division
Saint-Raymond, Qué. G0A 4G0
(418) 337-2233

G. Potvin, Executive Vice-President

Travel agency group

(Head Office)
P. Lawson Travel Ltd.
1415 - 2 Carlton Street
Toronto, Ontario M5B 1K2
(416) 363-7581

J. A. Powell, President
D. W. Collett, Vice-President
J. B. MacDougald, Vice-President
M. T. Nicholson, Vice-President

65 offices across Canada in conjunction
with:
Bel-Air Travel Inc.
Burritt Travel Ltd.
P. Lawson Travel (B.C.) Ltd.

Resorts group

Western Ski Division
Suite 308, Macleod Place
5920 Macleod Trail South
Calgary, Alberta T2H 0K2
(403) 253-3027

J. A. Parke, President
J. B. Hume, Comptroller

Sunshine Village Division
P.O. Box 1510
Banff, Alberta T0L 0C0
(403) 762-3383

J. R. Gow, Executive Vice-President

Ganibaldi Lifts Limited
602-325 Howe Street
Vancouver, B.C. V6C 1Z7
(604) 684-4471

F. M. Wilhelmsen, President

Others

Global Travel Computer Services Ltd.
719 - 2 Carlton Street
Toronto, Ontario M5B 1J3
(416) 364-7321

E. J. Bryant, President
J. B. Harper, Vice-President

TIW Investment Services Ltd.
150 Albert Street, 18th floor,
Ottawa, Ontario K1P 5G2
(613) 238-1888

J. A. Lowden, President
P. A. Thomson, Vice-President

TIW Investment Services (Ontario)
816-500 University Avenue
Toronto, Ontario M5G 1V7
(416) 598-1600

L. Foy, Vice-President
W. Fraser, Vice-President

Courbec Mortgage Management Inc.
1500-2050 Mansfield Street
Montréal, Qué. H3A 1Y9
(514) 282-0508

M. Mayer, Vice-President
M. Prehogan, Vice-President



Vous préférez peut-être posséder ce rapport en français?

Rien de plus simple. Faites-en la demande à l'adresse suivante:

Les Industries TIW Ltée,

150, rue Albert, 18e étage,
Ottawa (Ontario) K1P 5G2.

Ou encore, appelez-nous au (613) 238-1888.

*Notre beau rapport français vous parviendra...
avec toutes nos excuses!*

AR24

File
TIW INDUSTRIES LTD.
and
subsidiary companies



**INTERIM REPORT TO THE SHAREHOLDERS
SIX MONTHS ENDED JUNE 30, 1978**

PRESIDENT'S REPORT

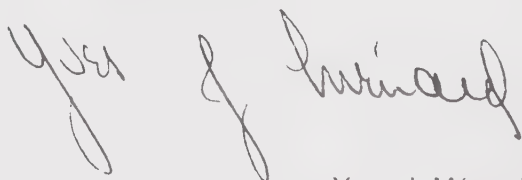
Ottawa, Ontario
July 27, 1978

For the second quarter of 1978, consolidated earnings before extraordinary item amounted to \$292,000 compared to a loss of \$404,000 for the same period of last year. Reduction in income taxes through utilization of loss-carry-forward brought our total earnings for the period up to \$538,000 compared to a loss of \$443,000 for the same period of last year.

Year to date earnings amounted to \$514,000 or 22 cents per share before extraordinary item compared to a loss of \$638,000 or 32 cents per share in the first half of 1977. Last year's results included a gain of \$156,000 on the disposal of fixed assets and investments as well as a loss of \$1,200,000 incurred by two operations which have since been disposed of or discontinued.

The extraordinary item consisted of a reduction in income taxes through utilization of prior years' losses in the amount of \$246,000 (\$16,000 in 1977) and brought total earnings to \$760,000 or 34 cents per share compared to a loss of \$622,000 or 31 cents per share in 1977.

While the foregoing factors account for most of the improvement in earnings, the ski area operations in Western Canada and the sawmill operations continued to report higher earnings in the second quarter. These increases were partially offset by moderate decreases in earnings experienced by other operations.

A handwritten signature in dark ink, appearing to read 'Yves J. Ménard', is written over a horizontal line.

Yves J. Ménard
President

TIW INDUSTRIES LTD.
and subsidiary companies

UNAUDITED CONSOLIDATED STATEMENT OF EARNINGS

2nd quarter		Six months ended June 30	
1978	1977	1978	1977
(in thousands)		(in thousands)	
		INCOME	
\$25,746	\$21,117	Gross revenue from operations	\$48,279 \$43,190
129	84	Income from investments	208 165
<u>25,875</u>	<u>21,201</u>	<u>48,487</u>	<u>43,355</u>
		EXPENSES	
23,675	20,242	Operating and administrative	43,711 40,360
716	663	Depreciation and amortization	1,416 1,332
710	585	Interest	1,321 1,288
487	295	Income taxes	1,457 1,165
(5)	(24)	Minority interest	80 4
—	(156)	Gain on sale of fixed assets and investments	(12) (156)
<u>25,583</u>	<u>21,605</u>	<u>47,973</u>	<u>43,993</u>
		EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEM	
292	(404)	514	(638)
246	(39)	Reduction in income taxes through utilization of loss-carry-forward . . .	246 16
<u>\$ 538</u>	<u>\$ (443)</u>	<u>\$ 760</u>	<u>\$ (622)</u>
		EARNINGS (LOSS) PER COMMON SHARE	
\$0.13	(\$0.20)	Before extraordinary item	\$0.22 (\$0.32)
\$0.25	(\$0.21)	After extraordinary item	\$0.34 \$0.31)

TIW INDUSTRIES LTD.
and subsidiary companies

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN
FINANCIAL POSITION**

	Six months ended June 30	
	1978	1977
	(in thousands)	
WORKING CAPITAL INCREASED BY		
Operations		
Earnings (loss) before extraordinary item	\$ 514	\$ (638)
Items not requiring an outlay of funds:		
Depreciation and amortization	1,275	1,164
Amortization of intangible	141	168
Deferred income taxes	9	24
Minority interest in earnings	84	4
Gain on sale of fixed assets and investments . .	(12)	(156)
Working capital increased by operations, exclusive of extraordinary item	2,011	566
Extraordinary item		
Reduction in income taxes through utilization of loss-carry-forward	246	16
	2,257	582
Proceeds on issue of long-term debt	1,458	11
Proceeds on disposal of fixed assets	63	266
Reduction in notes and mortgages receivables	43	—
	3,821	859
WORKING CAPITAL DECREASED BY		
Reduction in long-term debt	2,044	1,394
Purchase of fixed assets	1,971	869
Payment of dividends	267	277
Investment in notes and mortgages	150	482
Investments in unquoted securities	475	—
Investment in associated company	59	—
Investment in joint venture	—	79
Other	4	6
	4,970	3,107
DECREASE IN WORKING CAPITAL	1,149	2,248
WORKING CAPITAL, January 1	13,240	15,210
WORKING CAPITAL, June 30	\$12,091	\$12,962

ÉTAT CONSOLIDÉ DE L'ÉVOLUTION DE LA
SITUATION FINANCIÈRE

Semestre terminé le 30 juin		(en milliers)	
1978	1977		
PROVENANCE DES FOND			
Exploitation			
Bénéfices (perte) avant poste extraordinaire	514	\$	(638)
Items ne requérant pas de déboursé:			
Dépréciation et amortissement des immobilisations	1,275		1,164
Amortissement de l'achalandage	141		168
Impôts sur le revenu reportés	9		24
Intérêt minoritaire dans les bénéfices	84		4
Profit sur disposition d'immobilisations et placements	(12)		(156)
Fonds provenant de l'exploitation avant poste extraordinaire	2,011		566
Poste extraordinaire			
Réduction des impôts sur le revenu provenant de l'utilisation de pertes reportées	246		16
Produit d'émissions de dettes à long terme	2,257		582
Produit de la vente d'immobilisations	1,458		11
Diminution des hypothèques et billets à recevoir	43		—
	3,821		859
UTILISATION DES FOND			
Diminution de la dette à long terme	2,044		1,394
Achat d'immobilisations	1,971		869
Paiement des dividendes	267		277
PlACEMENT dans des hypothèques et billets à recevoir	150		482
Placements dans des titres non-cotés	475		—
Placement dans une compagnie associée	59		—
Placement en coparticipation	—		79
Autres	4		6
	4,970		3,107
DIMINUTION DU FOND	1,149		2,248
FOND	13,240		15,210
FOND	\$12,091		\$12,962

ÉTAT CONSOLIDÉ NON VÉRIFIÉ DES BÉNÉFICES

21 ^{ème} trimestre		(en milliers)	
1978	1977		
\$25,746	\$21,117	Revenu brut d'exploitation	
129	84	Revenu de placements	
25,875	21,201		
DÉPENSES			
23,675	20,242	Exploitation et administration	
716	663	Dépréciation et amortissement	
710	585	Intérêts	
487	295	Impôts sur le revenu	
(5)	(24)	Intérêt minoritaire	
—	(156)	Profit sur disposition d'immobilisations et placements ..	
25,583	21,605		
BÉNÉFICES (PERTE) AVANT POSTE EXTRAORDINAIRE			
292	(404)	Réduction des impôts sur le revenu	
246	(39)	provenant de l'utilisation de pertes reportées	
538	\$ (443)	TOTAL DES BÉNÉFICES (PERTE) ET POSTE EXTRAORDINAIRE ..	
BÉNÉFICES (PERTE) PAR ACTION ORDINAIRE			
\$0.13	(\$0.20)	Avant poste extraordinaire	
\$0.25	(\$0.21)	Après poste extraordinaire	
Semestre terminé le 30 juin			
1978	1977	(en milliers)	
\$48,279	\$43,190	Revenu brut d'exploitation	
208	165	Revenu de placements	
48,487	43,355		
DÉPENSES			
43,711	40,360	Exploitation et administration	
1,416	1,332	Dépréciation et amortissement	
1,321	1,288	Intérêts	
1,457	1,165	Impôts sur le revenu	
80	4	Intérêt minoritaire	
(12)	(156)	Profit sur disposition d'immobilisations et placements ..	
47,973	43,993		
BÉNÉFICES (PERTE) AVANT POSTE EXTRAORDINAIRE			
514	(638)	Réduction des impôts sur le revenu	
246	16	provenant de l'utilisation de pertes reportées	
760	\$ (622)	TOTAL DES BÉNÉFICES (PERTE) ET POSTE EXTRAORDINAIRE ..	
BÉNÉFICES (PERTE) PAR ACTION ORDINAIRE			
\$0.22	(\$0.32)	Avant poste extraordinaire	
\$0.34	(\$0.31)	Après poste extraordinaire	

RAPPORT DU PRÉSIDENT

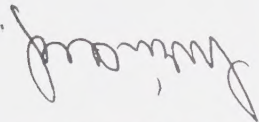
Ottawa, Ontario
le 27 juillet 1978

Pour le deuxième trimestre de 1978, les bénéfices nets avant poste extraordinaire s'élèvent à \$292,000 en regard d'une perte de \$404,000 pour la même période l'an dernier. La réduction des impôts sur le revenu provenant de l'utilisation de pertes encourues au cours des années antérieures porte le total des bénéfices à \$538,000, à comparer à la perte de \$443,000 pour le deuxième trimestre de 1977.

Pour les premiers six mois, les bénéfices s'élèvent à \$514,000 ou 22 cents par action avant poste extraordinaire, comparativement à une perte de \$638,000 ou 32 cents par action pour la même période de l'année précédente. Les résultats du premier semestre 1977 comportaient un gain de \$156,000 réalisé sur la disposition d'immobilisations et de placements ainsi qu'une perte de \$1,200,000 encourue par deux exploitations discontinuées ou disposées depuis.

Des réductions d'impôts sur le revenu au montant de \$246,000 (1977 - \$16,000) provenant de l'utilisation de pertes encourues au cours des exercices précédents, portent nos bénéfices à \$760,000 ou 34 cents par action comparativement à une perte de \$622,000 ou 31 cents par action en 1977.

Bien que les facteurs mentionnés jusqu'ici expliquent en grande partie l'augmentation des bénéfices, nos opérations sport-ski dans l'Ouest Canadien et notre scierie ont continué au cours du deuxième trimestre à réaliser des profits supérieurs à ceux de l'année dernière. Ces succès furent partiellement mitigés par les baisses de bénéfices subies par d'autres exploitations.


Yves J. Ménard
Président

LES INDUSTRIES TIW LTÉE
et ses filiales

